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ABSTRACT

The higher education systems of the 1970s are obviously going to be different from those of the 1960s. This speech suggests areas of foreseeable change in higher education in the future. First, it appears that the rate of enrollment growth in the 1970s will be much less than before. While enrollment growth has slowed, the expenditures of higher education continue to rise. The basic problem today is that income growth is slowing, and unless colleges and universities reduce expenditures growth to correspond with income growth, they will incur deficits. Colleges and universities need management assistance. The 3 major areas of management concern for the 1970s are: statewide planning, the process of governance and management, and production technology. These are not the only issues confronting higher education; issues involving manpower planning, educational access, and student aid are going to be critical in the next few years. The rising costs in higher education will have to be brought under some kind of effective management control including improvements in productivity. This is the real challenge of management for higher education in the future. (Author/PG)

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New Dimensions In Managing The Educational Enterprise

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An address for
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The higher education system of the 1970's is obviously going to be different from that of the 1960's. How different it will be depends upon who does the prognosticating. The dimensions of change are still uncertain. In a short space of time, I can do no more than suggest the areas of foreseeable change without by any means considering all the various possibilities.

First, it appears that the rate of enrollment growth in the 1970's will be much less than in the 1960's: the total enrollment in higher education was around 3.6 million in the autumn of 1960 and 8.6 million in 1970, an increase of almost 150 percent. In the autumn of 1972, however, total enrollment was 9.3 million and in the autumn of 1973 total enrollment was 9.7 million. Thus in the last three years the increase over 1970 has been just under 13 percent. Private colleges and universities have tended to lose enrollment since 1970, public universities tended to have about the same enrollment in 1973 as in 1970, and public community colleges and technical institutes have had continued enrollment growth over the past 15 year.

Moreover, projections of more than 13 million students by 1980 have now been cut back to 11.5 million students, and some suspect that even this figure may be too high.

At the same time as enrollment growth has slowed down, the expenditures of higher education have continued to rise. Whereas total expenditures were about $18.6 billion in 1968-69, they are estimated to be around $30 billion in 1973-74, an increase of more than 60 percent. The increased cost represents more than the impact of inflation. Instructional expenditures have risen in five years from $10.7 billion to $20 billion. This reflects increased salaries and wages, as well as increases in overhead costs. Expenditures for sponsored research have remained about constant, at around $2.5 to $2.7 billion. Expenditures for public service programs have risen from around $1.7 billion to more than $2.3 billion, and my guess is that this increased cost will be found largely in the costs of medical and hospital care at teaching

hospitals. The expenditures for auxiliary services in the past five years have increased from $2.5 billion to around $3.7 billion. And expenditures for student aid have increased from $800 million to $1.5 billion.

Let us get one fact clearly understood. Colleges and universities will spend all the income they can obtain. The basic problem today is that income growth is slowing down, and unless colleges and universities reduce expenditure growth to correspond with income growth, they will obviously incur deficits. It is estimated that for all colleges and universities in 1973-74 there will be a deficit of around $400 million, but at least the deficit this year is probably less than it was last year, when it may have been close to $500 million. In the past five years, for many reasons too complicated to review here, colleges and universities have not reduced their expenditure growth sufficiently to maintain a balance in income and outgo.

There is no question in my mind but that colleges and universities need management assistance. The prevailing public image of colleges and universities as poorly managed is a caricature. There are many able administrators in our colleges and universities, and some very sophisticated tools of management information and of planning have been developed for higher education in recent years. What has happened is that the authority of management has been diluted by the authority of faculty members and students, so that the decision-making process in colleges and universities has become diffused and somewhat indecisive.

I wish to suggest three major areas of management concern which I think will be uppermost in the higher education world during the remainder of the 1970's. These are statewide planning, the process of governance and management, and production technology. These are not the only issues confronting higher education; issues involving manpower planning, educational access, and student aid are going to be critical in the next few years. But I wish to concentrate on the first three

I enumerated here because they are important and because they are challenges in which I think the management consultant can be helpful.

First, there is the matter of statewide planning for higher education. You must bear in mind that the initiative in developing higher education policy in the United States still rests with the state governments rather than with the federal government. Moreover, as of 1973 some 77 percent of all students in the United States were enrolled in public institutions, almost all of them institutions sponsored by state and local governments. Two important issues agitate for state government planning at this time: the location of public colleges and universities in areas adjacent to private institutions, and the kind of state financial assistance that should be given to private institutions. The gap in tuition charges between public and private institutions has undoubtedly provided some economic incentive for students to enroll in public institutions. This gap could be reduced by state financial assistance to private institutions. If the gap is reduced, there may not be a need for some public institutions in the places where they are now situated. Here is a planning problem that is going to be very troublesome over the next several years.

Second, our colleges and universities, public and private, at present face the demands of faculty members and students for participation in the process of governance. In all the discussions about governance of colleges and universities over the past five years, very few people have bothered to make a distinction between governance and management. I think such a distinction is possible and imperative. The one process is concerned with basic issues of purpose and policy; the other process is concerned with work performance. I recognize that some people, including many faculty members and students, think that governance and management are one and the same process. And that belief is one explanation for current financial trouble in our colleges and universities. We had better begin to straighten out the processes of governance and administration in our colleges and universities, or we shall be in continuous difficulty for many years to come.

Third, colleges and universities need to worry about their production technology. Indeed, this is problem for our entire economy. Out of a civilian employed labor force of 81.7 million in the United States in 1972, about 3.5 million were employed in agriculture, about 27.5 million in the production sector, and about 50.7 million in the services sector. In other words, some 60 percent of all workers are engaged in service businesses: government, education, professional services, financial services, real estate services, maintenance services, and domestic services. If we cannot improve productivity in the service sector of our economy, we will place some very severe constraints upon our future economic growth.

The future economic welfare of higher education depends in large part on production practices in the instructional process. Faculty members want increased remuneration, but they are generally uninterested in increased productivity. Here again is one of the major factors in the financial plight of higher education today. About 60 percent of the $20 billion being spent for instructional activity in higher education this year goes to departmental salaries and departmental support. It is here that the major questions must be asked about the relationship of input costs to output units.

In the past, when management consulting firms have been asked to review college and university operations and recommend improved management practices, the tendency has been to restrict the consulting activity to the so-called "business" or nonacademic operations. Consultants were to be kept out of the sacred area of academic affairs. As a consequence, management consultants to higher education have been involved with dormitory operations, food service, plant maintenance, financial procedures, nonacademic personnel practices, student record keeping, plant utilization and plant planning, and general administrative services. All these are important activities, involving an expenditure of as much as $9 billion this year.

But in my judgment it is the nearly $12 billion spent on departmental instruction that calls for the

greatest management concern today. And the management consultant who may be an expert in so-called "business activities" is not the kind of consultant needed in these areas of academic activity. We need a new breed of consultants—consultants with academic credentials, academic experience, and management expertise.

The great wasteland of management competence in higher education today is in academic management. It is no longer sufficient for faculty members and others to say that their professional practices are not susceptible to managerial techniques and managerial innovation. The professional practice of instruction has become too expensive for any such claim to be valid, and the costs of this professional technology may become even more expensive in the next few years. Unless the sources of income to meet these rising costs are inexhaustible, these costs will have to be brought under some kind of effective management control, including improvements in the production process and in productivity. This is the real challenge of management for higher education in the 1970's.

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